

January 18, 2006

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

**Re: Ex Parte Communication
WC Docket Nos. 96-45, 01-92, 05-68**

Dear Ms. Dortch:

Pursuant to 47 CFR § 1.1206(b), this letter is to report that Jim Courter, Vice Chairman and Chief Executive Officer, and Ely Tandler, Chief Legal Officer, both of IDT Corporation; along with Tamar Finn of Swidler Berlin LLP, and Harold Furchtgott-Roth, of Furchtgott-Roth Economic Enterprises, met yesterday with Chairman Martin, Dan Gonzalez, Chief of Staff for Chairman Martin, Michelle Carey, Legal Advisor to Chairman Martin, and Tom Navin, Wireline Competition Bureau Chief, to discuss IDT Telecom, Inc.'s ("IDT's") views concerning the above-referenced docket. IDT discussed the points outlined in the attached handout.

This notice is being filed electronically in accordance with Commission rules in the above-referenced proceeding.

Sincerely,

/electronically signed/

Tamar E. Finn
Attorney for IDT Telecom, Inc.

cc: Chairman Martin
Dan Gonzalez
Michelle Carey
Tom Navin
Ely Tandler

IDT Corporation

Ex Parte Presentation

WC Docket Nos. 96-45, 01-92,
05-68

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About IDT

- IDT Corporation is a \$2.4 billion company that provides a variety of communications, entertainment and media services.
- IDT is headquartered in Newark, New Jersey and is led by CEO Jim Courter, a former Member of Congress.
- IDT provides prepaid calling cards in the U.S. and in other countries, as well as local and long distance phone services, wholesale carrier's carrier services, and a variety of other services.

IDT History

- 1990 – IDT founded by Howard Jonas as a provider of discounted international reorigination (callback) services. Initial customers were small businesses and consumers with family overseas.
- 1993 – IDT begins offering Consumer Long Distance and International calling.
- 1995 – IDT begins Wholesale (Carrier) division, trading traffic with large IXCs and PTTs.
- 1996 – IDT's IPO on the NASDAQ National Market.
- 1997 – IDT begins selling pre-paid calling cards, serving primarily recent-immigrant users.
- 2001 – IDT acquires assets of Winstar.
- 2004 – IDT ranked #3 behind AT&T and MCI in international voice minutes.

USF Reform

- IDT supports reform of USF and other contribution systems (TRS, LNP, NANPA)
- Current system is broken
 - Bundled service packages make it difficult to distinguish intra/interstate services, telecom/information services
 - Prepaid calling cards are singled out by face value rule to pay higher effective USF contribution rate
 - Limited International Revenue Exemption (“LIRE”) (currently 12%) applies only to USF (not other funds)
 - Should be expanded to other funds and FCC regulatory fees
 - Should be increased to account for higher contribution rates
 - Revenue reporting rules conflict with accounting rules

USF Reform (cont'd)

- IDT supports numbers-based contribution methodology
 - Reporting should be streamlined for all funds
 - Based on working telephone numbers and non-switched, high-speed, dedicated connections
 - No revenue carve-outs (either minimum contribution or service specific)

USF Reform (cont'd)

- Change in enhanced prepaid calling cards' contribution obligations (if any) should be coordinated with broader reform of contribution rules
 - Changing the rules twice in a short time would impose unnecessary costs on consumers and cause market disruption
 - As with DSL, FCC could postpone effective date of any change in prepaid calling cards' contribution obligation for a certain number of months, unless USF contribution reform takes effect sooner

USF Reform (cont'd)

- Prepaid calling cards already bear a higher contribution burden than post-paid services
 - Most prepaid calling card providers only receive a percentage of the face value in revenue, e.g., 70%, making the effective USF rate higher than the current LIRE level (for example, on a \$10 face value card, \$1.10 out of \$7.00 is effectively 15.7%)
 - Because prepaid calling card revenues are largely international, increasing LIRE will benefit the low income and immigrant consumers who would otherwise be hit with a higher effective USF contribution rate

USF Reform (cont'd)

- If FCC expands prepaid calling card contribution obligations now, it should also increase LIRE
 - In 2002, FCC increased LIRE to 12% based on projected USF rate above 8%
 - Recent estimates show USF rate may soon exceed 13%
 - FCC should increase LIRE to 15% for calendar year 2006 revenues
 - LIRE should apply to all funds and reg fees

Prepaid “Hybrid” Information Services

- Some prepaid calling cards offer consumer ability to select from a menu of information content (news, sports scores, weather, voice mail, e-mail)
- Like Internet access, consumer has capability of accessing bona fide information service with every call
 - Consumer may use both services during same call session
 - Prepaid calling cards are marketed and perceived by consumers as single service
- FCC precedent classifies hybrid telecom/information services as information services
- At a minimum, if provider can distinguish between phone calls and access to stored information, later must be classified as information service

A “Level Playing Field” Exists

- AT&T’s level playing field arguments are not credible—
 - Declaratory Ruling only affects “advertising” cards, and affects all such cards equally regardless of the provider
 - AT&T has the same ability as any other company to offer a bona fide information service—and already does
 - FCC shouldn’t change its treatment of bona fide information services because of past problems caused by an entirely different service

Access Issues

- AT&T's 18-part certification proposal is overly regulatory and burdensome
- PIU/traffic identification issues not unique to prepaid calling cards are better addressed in comprehensive dockets
 - PIU rules in this docket serve no purpose but to add regulatory burdens to one segment of industry and to create an artificial sense of having addressed an issue
- Prepaid calling card calls that end at platform should be rated based on location of platform and treated as information services
- Because industry data shows less than 10% of prepaid calling card calls are intrastate, default prepaid calling card PIU of 50% proposed by AT&T is arbitrary penalty

Implementation Issues

- If rules are changed, effective date should be postponed to allow repricing of prepaid calling cards
 - Prepaid calling cards already in the stream of commerce have been priced based on current contribution and access rules.
 - Because these cards have been sold to distributors (and sub-distributors, etc.) they cannot be recalled or repriced.
 - The Commission has built in a "grace period" beyond the effective date of regulations in comparable cases (e.g., payphone compensation, access charge reforms) and should, at a minimum, do so here.